

Message Text

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PAGE 01 THE HA 01408 181752Z

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ACTION EUR-12

INFO OCT-01 ISO-00 SEC-01 TRSE-00 L-02 FRB-01 OPIC-06 EB-07

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R 181535Z MAR 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 5482

UNCLAS THE HAGUE 1408

FOR MANGER, EUR/WE

E.O. 11652: N/A

TAGS: EGEN

SUBJ: LETTER TO SEC ON CONSUMER PROTECTION ON LIFE
INSURANCE

REF: HAGUE 919

1. REGRET THAT TRANSLATING ENCLOSURE SENT WITH LETTER FROM BAUDIUN TO MOSTOFF IS BEYOND EMBASSY'S CAPABILITY BECAUSE OF ABUNDANCE OF TECHNICAL TERMINOLOGY. NEVERTHELESS, WE CAN PROVIDE GIST, WHICH WE BELIEVE WILL BE SUFFICIENT FOR SEC TO DETERMINE WHETHER FULL PROFESSIONAL TRANSLATION IS WARRANTED.

2. DOCUMENT IN QUESTION IS COPY OF LETTER FROM GOVERNMENT TO PARLIAMENT REPORTING ON GOVERNMENT STUDY ON QUESTION OF DISTRIBUTION TO LIFE INSURANCE POLICYHOLDERS OF BENEFITS WHICH ACCRUE TO INSURANCE COMPANIES FROM HIGH MARKET INTEREST RATES. STUDY HAD ITS GENESIS IN PARLIAMENTARY QUESTIONS POSED TO GON IN 1970. RATHER THAN PRESCRIBING SOLUTION, DOCUMENT EXPLORES PARAMETERS OF THE PROBLEM AND ELEMENTS WHICH SHOULD GUIDE SETTING OF PREMIUMS AND SHARING OF INCOME FROM POINT OF VIEW OF THE CONSUMER'S INTEREST.

3. STUDY DIFFERENTIATES BETWEEN GROUP AND INDIVIDUAL LIFE INSURANCE. CONCERNING THE LATTER, IT ARGUES INTER ALIA THAT CONSUMERS OUGHT TO BE PROVIDED MORE INFORMATION ON
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PAGE 02 THE HA 01408 181752Z

COMPANY POLICIES WITH RESPECT TO DISTRIBUTION OF PROFITS; THAT

PRICING TAKE INTO ACCOUNT THIS FACTOR AS WELL; IN SHORT, THAT
MARKET BE MADE MORE COMPETITIVE THROUGH PROVIDING MORE INFORMATION
TO THE CONSUMER ON COSTS/BENEFITS AND THAT PROFIT-SHARING BE MADE
AN ASPECT OF COMPETITION POLICY. GROUP LIFE INSURANCE
(WHICH THE REPORT TREATS IN LESS DEPTH THAN INDIVIDUAL INSURANCE)
IS SEEN AS POSING PROBLEM OF DIFFERENT NATURE. FOR THE CONSUMER,
PROBLEM IS HOW TO PRESERVE REAL VALUE OF HIS INVESTMENT WHEN
(BECAUSE OF, SAY, CHANGE OF OCCUPATION) HE RETAINS TITLE TO A
POLICY ON WHICH HE IS PAYING NO ADDITIONAL PREMIUMS, IS ACCRUING
NO INTEREST NOR RECEIVING ANY DIVIDENTDS, AND WHOSE REAL VALUE
IS ERODING THROUGH EFFECT OF INFLATION.
GOULD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSUMER PROTECTION, DIPLOMATIC COMMUNICATIONS, LIFE INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975THEHA01408
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750095-0013
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750338/aaaabimx.tel
Line Count: 73
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 HAGUE 919
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2003 by SilvaL0>; APPROVED <20 FEB 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LETTER TO SEC ON CONSUMER PROTECTION ON LIFE INSURANCE
TAGS: EGEN, NL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006